# **SR 520 Toll Rate Setting Update**

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Washington State Transportation Commission December 11, 2012



# **SR 520 Rate Setting**



# SR 520 is Unique

On September 29, 2011, the State Finance Committee adopted Resolution No. 1117:

A RESOLUTION OF THE STATE FINANCE COMMITTEE OF THE STATE OF WASHINGTON PROVIDING FOR THE ISSUANCE OF BONDS OF THE STATE FOR THE PURPOSE OF PROVIDING FUNDS TO PAY AND REIMBURSE STATE EXPENDITURES FOR ELIGIBLE TOLL FACILITIES IDENTIFIED IN THE BOND ACT; PROVIDING FOR CERTAIN TERMS AND COVENANTS OF THE BONDS; PROVIDING FOR CERTAIN OTHER PROVISIONS SAFEGUARDING THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS; AND AUTHORIZING AND DIRECTING THE SALE OF THE BONDS IN ONE OR MORE SALES.

Information that follows comes from this "Master Bond Resolution."



# The Financial Charge for Rate-Setting

### Section 7.01 Master Bond Resolution.

"The State, acting by and through the Tolling Authority, covenants to set and adjust the Toll Rate Schedule and maintain Tolls on the SR 520 Corridor and on any Additional Eligible Toll Facilities at rates that will generate Toll Revenue sufficient to pay Operating and Maintenance Expenses; to pay, when due, the principal of and interest on all Outstanding Bonds; and to meet the State's financial and other covenants under this Master Resolution and applicable law. "

## Financially, What Must Be Covered

- Operations & Maintenance (O&M)
- Timely deposit of required amounts into the reserves, including but not limited to debt service, O&M, and R&R reserves
- Minimum debt coverage covenants\*
- "Other payments to comply with all financial and other covenants made by the State in this Master Resolution, in any Bond Sale Resolution and in other proceedings related to the issuance of Bonds."
- Other anticipated funding obligations of the System, giving due regard to the Projected Toll Rate Schedule provided to the Tolling Authority by WSDOT and the State Treasurer pursuant to Section 7.03(b) of this Master Resolution.



<sup>\*</sup> Meet "Additional Bonds Test" requirements in order for scheduled bond sales to occur

## Other Charges

### Section 7.02 Master Bond Resolution.

- The Tolling Authority shall include variable pricing in adopting Toll Rate Schedules.
- Tolls shall be set to maintain travel time, speed, and reliability and to generate sufficient Toll Revenue to meet all requirements previously outlines.
- Tolls may vary for type of vehicle, time of day, traffic conditions, or other factors designed to improve performance of the System.



# **SR 520 Rate Setting Financial Commitments**

### Work to Date to Support the Bond Resolution

 WSDOT and the State Treasurer have completed a finance plan to present to the Transportation Commission that is built on the same financing assumptions as included in the 2011 Investment Grade Finance Plan. This plan was used for TIFIA financing in October 2012.



### Work to Date: Traffic & Revenue Modeling

- In September 2012, CDM Smith prepared updated Gross Revenue forecasts through 2056
- Assumptions regarding the amount and timing of toll rate schedule adjustments did not change from work done for the Commission in preparation for January 2011 rate-setting.
  - CDM Smith incorporated the rate increase that occurred July 2012.
  - Tolls increase 2.5% on July 1st of 2013, 2014 and 2015.
  - Weekday tolls increase 15% on July 1st of 2016; weekend rates increase 2.5%.
  - Tolls remain constant after the 2016 increase for purposes of financing.



### WSTC Discussion of Toll Rate Increases, 11/8/2010

Toll Rate Profile for Scenarios E.2 and H.2



### Work to Date: Net Revenue

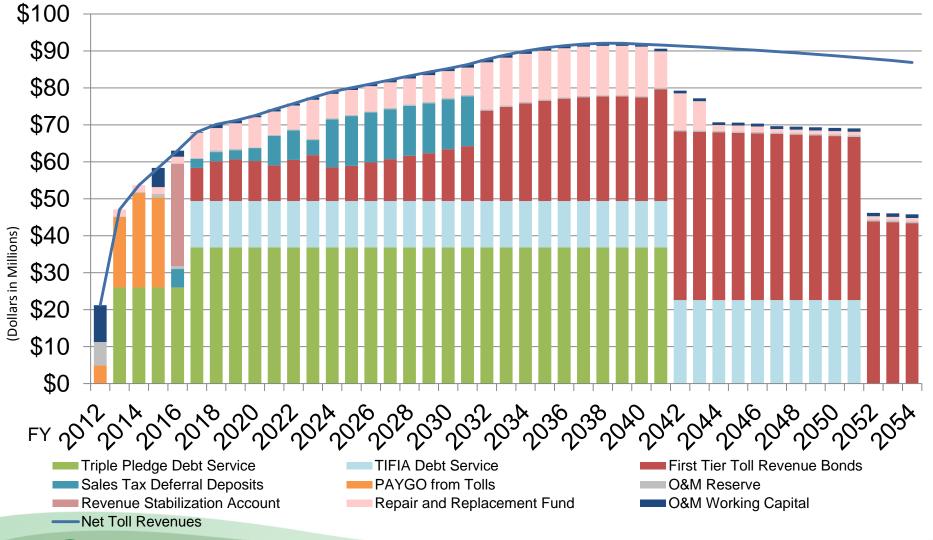
- In September 2012, Parsons Brinckerhoff (PB) prepared updated Net Revenue forecasts through 2056
- As part of this update, PB included actual FY 2012 expenditures
  - Insurance was higher than expected
  - Postage was lower than expected
  - UPA was able to cover some operating expenditures

### They also updated:

- actual operating experience to better estimate pay by plate and short-term account data, and to adjust assumptions for uncollectible accounts.
- O&M cost estimates as certified by Scott Bacsikin, PE, Consulting Engineer and as described in WSDOT's 13-15 budget submittal to the Governor.



### Projected Net Toll Revenues Cover All Required Expenditures in Every Year Bonds are Outstanding



As of October 25, 2012. 12

### Work to date: SR 520 Financial Plan

- Plan shows how the state plans to finance the \$2.7B SR520
   Floating Bridge & Eastside + West Approach Bridge, as reported to TIFIA on October 25, 2012.
- The state plans to sell 1st tier debt in FY 2014.
- The plan includes 3-months of working capital in 2013. This amount is projected grow after reserves have been fully funded.

### **Work to Date: Initial Certifications**

- Certifications for 2.5% increase in accordance with WAC 468.270.040, "(b) Starting July 1, 2012, the toll rates will increase two and one-half percent annually, subject to review and potential adjustment by the commission, in order to generate toll revenue sufficient to meet the costs and obligations listed in RCW 47.56.830 through 47.56.850."
  - Operations and Maintenance Cost Certification, October 8, 2012
  - Traffic and Revenue Certification, October 10, 2012
  - Net Revenue Certification, October 10, 2012

### **Financial Tests**

### Requirements:

- Projected revenues for the then-current Fiscal Year and each subsequent fiscal year through the last scheduled maturity of all bonds must be at least equal to 100% of the aggregate amount of the required payments.
- Coverage ratios when bonds will be issued:
  - 1.10x of the Annual Debt Service with respect to all outstanding bonds in each fiscal year (1<sup>st</sup> – 4<sup>th</sup> tiers) MBR 2.9

### **Results:**

- Ending Unrestricted fund balance:
  - June 30, 2013: \$244,000
  - June 30, 2014: \$354,000
  - June 30, 2015: \$475,000
- The proposed plan provides aggregate coverage of 1.11x or above every year of the plan.



# **Financial Plan**

2.72 B SR 520 Floating Bridge and the Eastside Plus West Approach Bridge Project using the light of October 25, 2012 Base Case Financial Model that includes \$300 million for TIFIA												
nights with October 23, 2012 base case Financial Model that includes \$300 million for high												
riscal Year	Subtotal thru 2019	Subtotal thru 2056	Prior	2012	2013	2014	2015	2016	2017	2018	2019	Total
Account 16.1 Beginning Fund Balance	2019	2056	Prior	2012	2013 556 661	2014 354 417	2015	2016	2017	2018 7.768	2019 7 914	200
IGLITOLL REVENUE CASH FLOW EXCLUDING BOND PROCEEDS				(174,470)	330,001	304,417	304,701	233,000	30,310	7,700	7,014	
leginning Unvestricted Fund Balance				203	3,948	244	354	475	604	746	892	
Sources of Toll Revenue Funds												
Gross Toll Revenue Potential <sup>1</sup> Deduction for Free Tilp Incentives <sup>2</sup>	591,823	5,111,823		28,823 (447)	62,590	69,740	75,180	81,980	89,160	91,230	93,120	
Customer-Initiated Payment Discount <sup>3</sup>	(881)	(6,288)		(2)	(116)	(122)	(125)	(130)	(130)	(128)	(127)	
Good To Gol License Plate Payment Fees <sup>4</sup> Pay-by-Mail Late Payment Fees <sup>5</sup>	6,245 12,941	37,812 87,790		237 776	845 1,607	867 1,694	851 1,732	839 1,803	843 1,796	871 1,778	1,755	
Uncollectile Toll Reserve <sup>5</sup> Rescreen's Toll Reserve 1 America 1	(47,085) 3,605	(340,224) 25,922	-	(454)	(5,674) 492	(6,125) 476	(6,413) 499	(6,810) 519	(7,361) 540	(7,205) 544	(7,044) 535	
Subtotal Adjusted Gross Toll Revenue Interest Earnings from SR 520 Conidor Account (16.0) <sup>6</sup>	566,230 431	4,916,417 4,092	29	28,934	59,744	66,530	71,724	78,201	84,848	87,090 73	89,131	
Interest Earnings from Toll Collections Account (495) <sup>6</sup>	443	3,999	4		49	54	59	64	69	71	73	
Administrative Transfer to MVA <sup>9</sup> Transponder Revenus <sup>19</sup>	(58) 9,572	(58) 77,342	645	1,320	(58) 1,333	1,003	1,003	1,028	1,054	1,080	1,107	
Total Sources of State Funds Excluding Bond Proceeds	576,619	5,001,792	657	30,254	61,119	67,643	72,845	79,359	86,043	88,314	90,385	
Fransponder Purchase and Inventory <sup>10</sup>	8,978	76,748	437	934	1,333	1,003	1,003	1,028	1,054	1,080	1,107	
sedit Card Fees <sup>11</sup> oil Collection Operations and Maintenance <sup>12</sup>	13,071 70,793	114,348 808,297	17	432 6,032	1,397 8,754	1,631 8,689	1,729 8,876	1,828 9,265	1,984 9.467	2,012 9,525	2,057 10,168	
Routine Facility Operations and Maintenance <sup>13</sup>	9,528 20.357	190,572 147,240		1.637		2 500		1,300 2,750	2,603	2,668 2,750	2,957	
Subtotal Operations and Maintenance Uses of Funds	122,726	1,337,204	454	1,637 9,035	2,470 13,955	2,500 13,823	2,750 14,358	2,750 16,171	2,750 17,858	18,034	2,750 19,039	
si Ter Otab Series - Transfer to 1989 not Ter Otab Series - Transfer to 1999 not Ter Otab Series - Transfer to 1999	30,917	1,024,110	-		- :		-		8,946	10,721	11,251	
vol Ter Det Serkee - Transfer to #399 The Tee Serkee - Transfer to #399	214,678 37,670	1,025,535 540,086	-		26,025	26,025	26,025	26,025	36,860 12,557	36,858 12,557	36,859 12,557	-
Subtotal Debt Service - Transfer to #399 belemed Sales Tax Reserve <sup>15</sup>	283,264 12,500	2,589,731 143,559			26,025	26,025	26,025	26,025 5,000	58,362 2,500	60,135 2,500	<b>60,667</b> 2,500	
perating and Maintenance Reserve <sup>16</sup>	9,340	22,749		2,566	3,844	267	894	830	75	489	374	
lepair and Replacement Resene <sup>cr</sup>	27,436 27,625	273,226 27,625	-		1,875	1,875	1,875	1,916 27,625	6,956	6,031	6,907	
Verking Capital <sup>19</sup> Actor Vehicle Account Repayment	18,681	45,498	-	9,965	- :		5,179	1,661	150	978	749	
Available for Pay-As-You-Go Capital Expenditures Total Uses of State Funds Excluding Bond Proceeds	74,004 575,576	74,004 4,513,597	454	4,944 26,509	19,123 64,822	25,542 67,533	24,394	70-220	85 901	88.167	90.235	
	5/5,5/6	4,010,001				5.,000	12,120					
Ending Unrestricted Fund Balance			203	3,948	244	354	475	604	746	892	1,043	
GJ CASH FLOW FOR CAPITAL EXPENDITURES AND BOND RESERVES												
ginning Capital Balance				(174,675)	552,713	354,173	384,407	235,423	37,912	7,022	7,021	
pinning Capital Balance urces of Funds For Capital and Bond Reserves	7,010	8,302	(214)	(174,675)	552,713 2,529	354,173 1,621	384,407 1,759	235,423	37,912 173	7,022	7,021	
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## Initial SR 520 FY 2013 Q1 Toll Revenue Results\*

DRAFT

FY 2013 – Q1 TOLL REVENUE	Actual	Forecast <sup>1</sup>	% Variance
Adjusted Gross Revenue after Allowance for Doubtful Accounts <sup>2,3</sup>	\$13,867,862	\$14,121,766	-2%

- Adjusted gross revenue after an allowance for doubtful accounts was -2% below forecasts after the first quarter of FY 2013.
- Values based on preliminary, un-reconciled database query.<sup>4</sup>
- \* Revenue data current as of October 31, 2012.
- 1 CDM Smith forecast inclusive of a monthly seasonal adjustment and a monthly average value for planned weekend construction closures; net of allowances for unreadable license plates / inability to identify vehicle owner; and inclusive of \$0.25 Pay By Plate fee revenues and \$0.50 customer initiated payment credits.
- <sup>2</sup> The allowance for doubtful accounts uses an accounting estimate of 10% of the amount of Pay By Mail toll bills issued will be uncollectible. This amount results in a direct reduction to toll revenue for the facility.
- <sup>3</sup> Actual gross revenues do not currently include tolls and fees recovered through the adjudication/civil penalty process; inclusion of these revenues via a transfer from the SR 520 Civil Penalty Account may result in an upward revision to actual gross revenues.
- <sup>4</sup> WSDOT is in the process of reviewing CSC vendor reconciliation reports, which will become the primary source of this data. Pending completion of this review, reported revenues are based on preliminary, un-reconciled database queries.



# **Next Steps**

### 2.5% increase in accordance with WAC 468.270.040

 Office of the State Treasurer (OST) has reviewed the materials and agreed that the net revenue projections would meet "Master Bond Resolution" requirements but is awaiting Commission action before providing final certification.

### Any modifications to the 2.5% increase

- CDM Smith and PB will evaluate the proposed changes to ensure it meets sufficiency through 2056 and update the certificates.
- OST will review the new projections and new certificates, and will issue their formal certificate.



# SR 520 Rate Setting Traffic

### Initial SR 520 FY 2013 Q1 Toll Traffic Results

JULY - SEPTEMBER				DRAFT
2012 TOLL TRAFFIC	Actual <sup>1,7</sup>	Forecast <sup>2,3</sup>	% Variance	
Average Weekday <sup>4,8</sup>	65,950	65,728	+0.3%	
Average Weekend <sup>5,8</sup>	37,417	32,829	+14.0%	
Average Daily <sup>6</sup>	58,319	56,929	+2.4%	

- Average weekday daily traffic is tracking the forecast
- Average weekend daily traffic exceeds forecast by +14%
- Overall, average daily traffic was +2.4% above forecast
- Approximately 80% of average daily trips were prepaid (Good To Go!) transactions
  - Average weekday Good To Go! share was approximately 81%
  - Average weekend daily Good To Go! share was approximately 73%
- <sup>1</sup> Toll traffic counts are generated by in-lane toll collection equipment. Actual counts exclude transit buses and other toll-exempt vehicles.
- <sup>2</sup> CDM Smith forecast dated August 2012 after applying a monthly seasonal adjustment factors. Forecasts exclude transit buses and other toll-exempt vehicles.
- <sup>3</sup> Ramp-up adjustments are no longer included in the FY 2013 forecasts.
- <sup>4</sup> Average weekday traffic is subject to construction activity but there were no weekday construction closures during the tolling hours from 5 AM to 11 PM.
- <sup>5</sup> Calculation of average weekend daily traffic excludes planned weekend construction closures days.
- <sup>6</sup> Average daily traffic calculated as a blend of all weekdays and weekends days, except as noted in (4) and (5) above.
- WSDOT is in the process of reviewing CSC vendor reconciliation reports, which will become the primary source of this data. Until completion of this review, reported traffic and revenue will be based on preliminary, un-reconciled database queries.
- <sup>8</sup> Average weekend daily traffic calculations are inclusive of holidays during which weekend toll rates are charged (e.g., 4<sup>th</sup> of July, Labor Day).



## **Initial Traffic Impacts – October 2012**

### • SR 520

- Toll traffic is generally at or above projected levels
- Travel times are four minutes shorter on average during the peaks

### I-90

- Traffic has increased 11 percent
- I-90 travel times are five minutes longer on average during the peaks

### • SR 522

- Traffic has increased 10 percent
- Travel times have not increased during the morning peak and are about two minutes longer during the afternoon peak

### I-5

- Traffic has increased approximately 2 percent in downtown Seattle
- Travel times through downtown Seattle are approximately four minutes slower in both directions during the peaks.

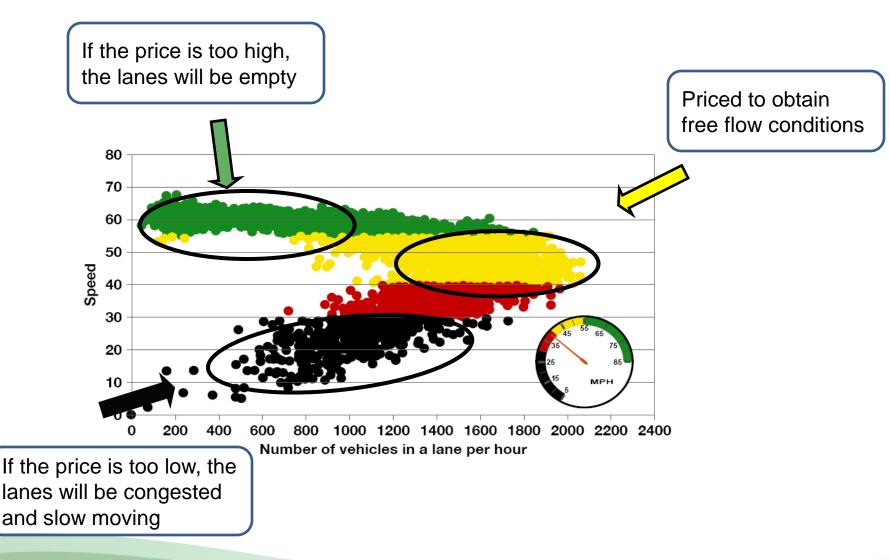
### • I-405

- Traffic has increased approximately 4 percent in downtown Bellevue
- Travel times through Bellevue are approximately three minutes slower southbound and two minutes slower northbound during the PM peak



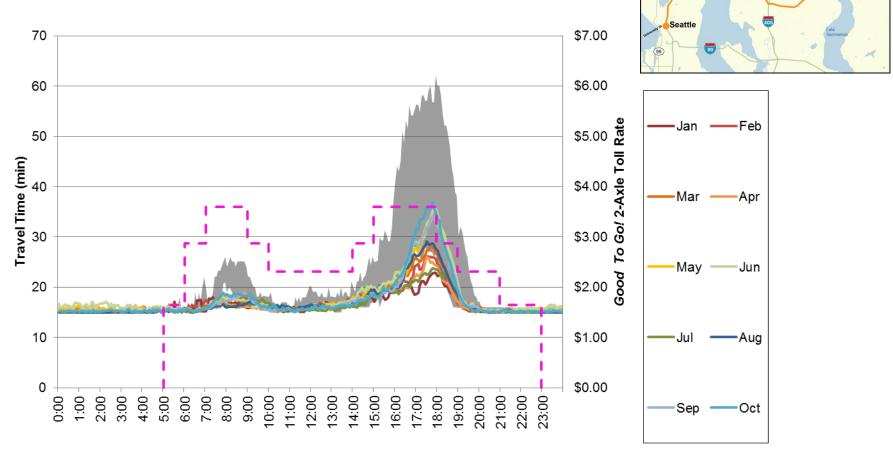
# **Maximizing Throughput**

The most effective price to move the most traffic





# Travel Time: Redmond to Seattle via SR 520 Monthly Average

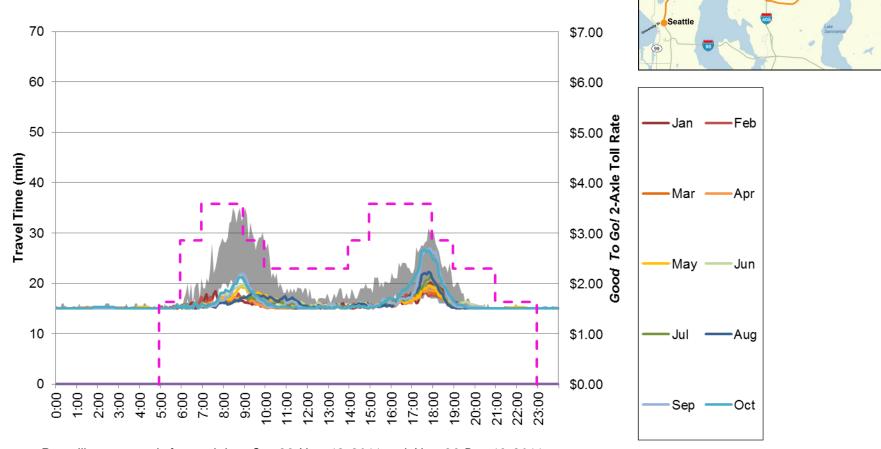


Pre-tolling average is for weekdays Oct. 29-Nov. 18, 2011 and Nov. 26-Dec.16, 2011 Post-tolling average is for weekdays Jan. 1, 2012 – Oct. 31, 2012



Redmond

# Travel Time: Seattle to Redmond via SR 520 Monthly Average

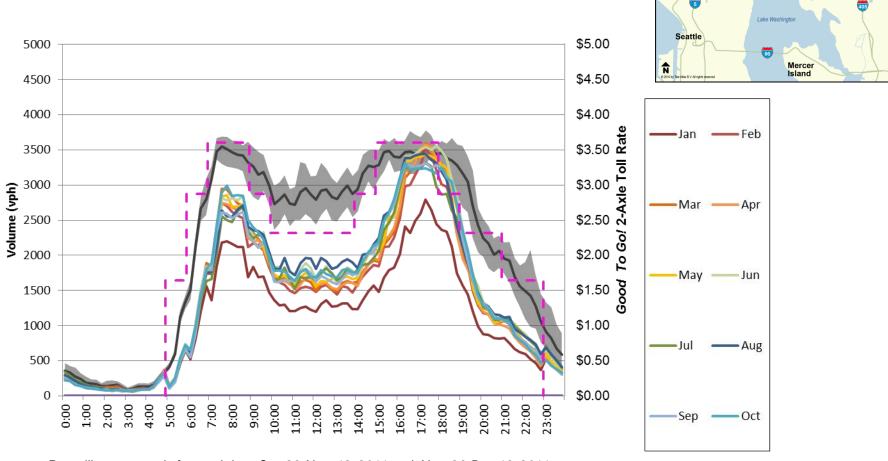


Pre-tolling average is for weekdays Oct. 29-Nov. 18, 2011 and Nov. 26-Dec.16, 2011 Post-tolling average is for weekdays Jan. 1, 2012 – Oct. 31, 2012



Redmond

### **Traffic Volume: Westbound SR 520**

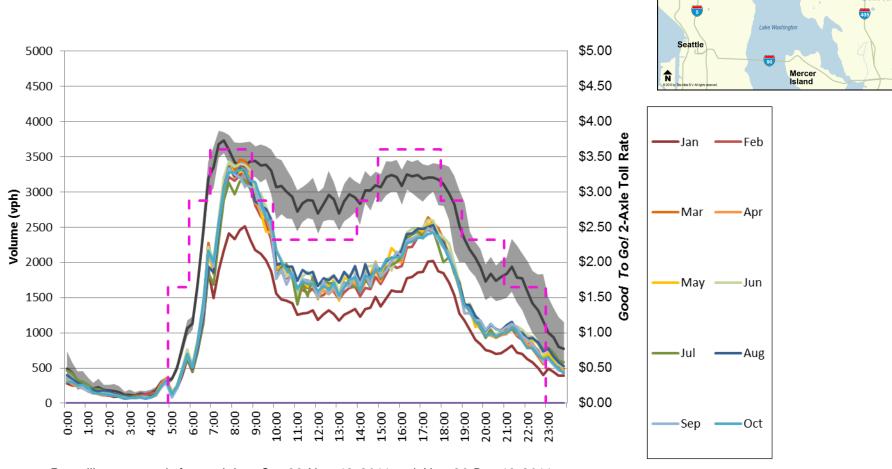


Pre-tolling average is for weekdays Oct. 29-Nov. 18, 2011 and Nov. 26-Dec.16, 2011 Post-tolling average is for weekdays Jan. 1, 2012 – Oct. 31, 2012



Bellevue

### **Traffic Volume: Eastbound SR 520**



Pre-tolling average is for weekdays Oct. 29-Nov. 18, 2011 and Nov. 26-Dec.16, 2011 Post-tolling average is for weekdays Jan. 1, 2012 – Oct. 31, 2012



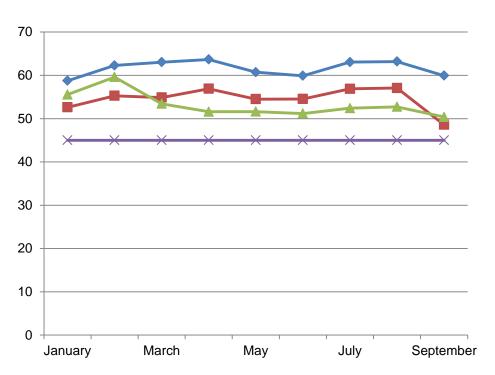
Bellevue

# Average Weekday Speeds AM Peak Hour (7–9 AM)

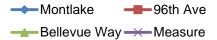


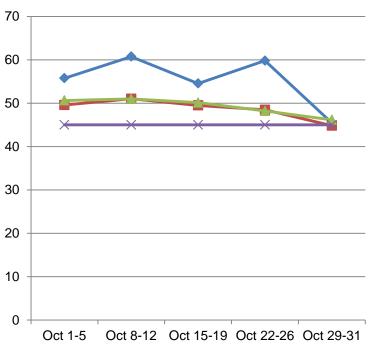






#### **October Weekly Averages**





<sup>\*</sup>After FY 2012 Q3 the data station used for collection was changed from 108th Ave to Bellevue Way due to data quality and consistency issues at the 108th Ave

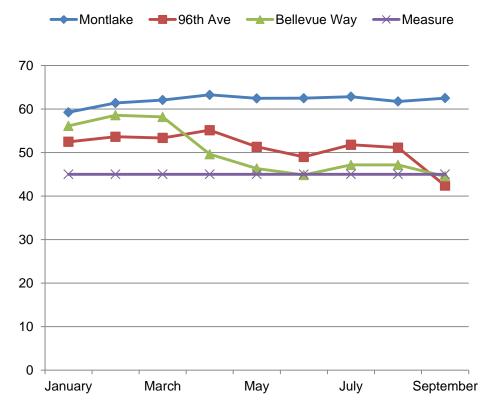


# Average Weekday Speeds PM Peak Hour (3 – 6 PM)



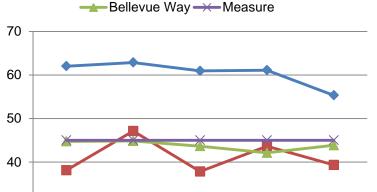
96th Ave

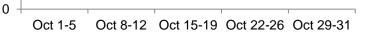




#### **October Weekly Averages**

Montlake





\*After FY 2012 Q3 the data station used for collection was changed from 108th Ave to Bellevue Way due to data quality and consistency issues at the 108th Ave

30

20

10



### **Considerations**

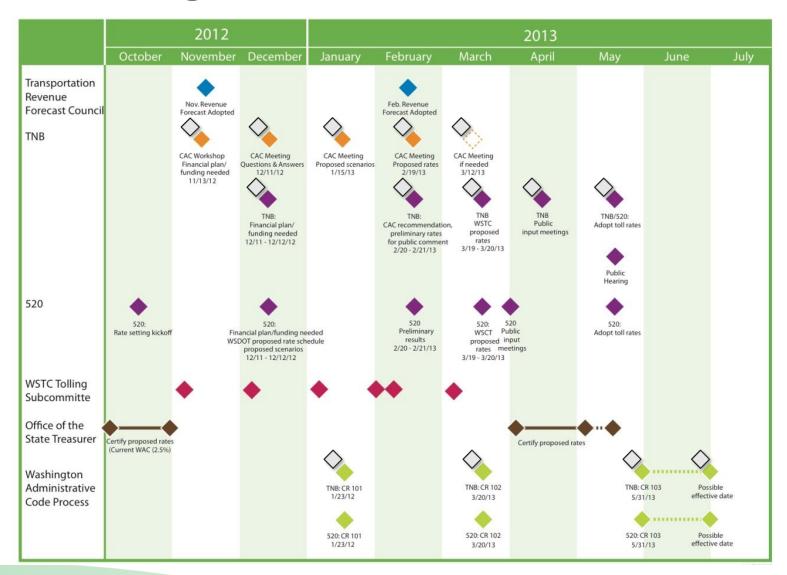
- We are just completing first year of operations.
  - Gross revenues lag traffic performance.
  - 12 months out of a 30-40 year financing horizon is inconclusive.
- Ongoing construction has played a factor in traffic performance, especially on the Eastside.
- In 2014, we need strong credit ratings.
  - WSDOT will be selling revenue bonds in early 2014
  - WSDOT will we making our first TIFIA draws.
- Review forecasts based upon actual traffic and revenue data.

# If Financial Adjustment is Required, Possible Rate Scenarios to Test

- Possible adjustments to portions of the schedule
  - Adjust shoulder times to better manage traffic
  - Make directional adjustments
  - Make weekend adjustments
  - Add a fifth toll rate during the peak of the peak
  - Add a minimum toll during the currently nontolled hours (11 pm-5 am)
- Round toll rates to the nearest nickel for all increases
- Recommend running the following scenarios
  - 3.5% increase
  - Higher PM peak directional
  - Shift PM peak
  - Weekend adjustments



# **Rate Setting Schedule**





### **Questions?**

For more information on SR 520 Toll Rate Setting, please contact:

Craig Stone
Assistant Secretary, Toll Division

(206) 464-1222 or StoneC@wsdot.wa.gov

